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WASHINGTON NOTES

CURRENCY BILLS

BOND SALES

TARIFF REVISION

GERMAN RECIPROCITY

FRENCH RECIPROCITY

LABOR DECISIONS

Currency discussion during the month of January and since the reassembling of Congress subsequent to the Christmas holidays has resulted in advancing to some extent the progress of currency legislation for the session. The principal feature of this first month's work has been the reporting of the Aldrich bill from the Senate Finance Committee. In its new form, the Aldrich bill differs materially from the shape in which the measure was originally presented to the Senate. The significant points at which changes have occurred are as follows: (1) The provision of the original bill for increasing country reserves has been eliminated; (2) The kinds of bonds which may be accepted as security behind circulation have been increased by admitting the issues of the smaller municipalities, counties, etc.; (3) The classes of railroad bonds to be accepted have been determined by providing that the Interstate Commerce Commission shall ascertain the names of the concerns which have paid dividends on their whole capitalization for the specified period prior to the taking-out of the notes and shall certify these names to the Interstate Commerce Commission, which in turn shall certify them to the Treasury thus affording a basis for the note issue; and (4) the raising of the maximum limitation upon notes from \$250,000,000 to \$500,000,000 for the country as a whole. In opposition to this measure, has been framed a democratic substitute providing for the issue of \$500,000,000 of "greenbacks" by the government, such greenbacks to be deposited with the banks in time of stringency upon the same security as is now accepted for public deposits. In the House Committee on Banking and Currency, the month of January was spent in hearings upon the Fowler bill. These hearings resulted in a decided drift of opinion away from the Fowler measure and in favor of the bankers' commission plan formulated by representatives of the American Bankers' Association in session at Chicago. In the House the notable currency events on the floor have been the speech of Chairman Fowler in behalf of his bill on January 27, the address

of Representative Hill, of Connecticut, in denunciation of the Aldrich bill, delivered on February 4, and the answering speech of Chairman Payne, of the Ways and Means Committee, on the following day, in which, on behalf of the leaders of the House, Mr. Payne practically accepted the Aldrich bill with some amendments and gave notice that it would be forced upon the chamber. By the side of the main current of discussion on banking questions, has developed a drift of opinion in behalf of the appointment of a currency commission, to be composed of six members of the House, six of the Senate, and six outsiders, and to report by the opening of 1909. This commission plan has been approved by Chairman Aldrich, the secretary of the treasury, and other influential leaders. The conspicuous result of the first passage of arms on the currency question has been the recognition that thorough legislation at this session will be an impossibility and that the adoption of a measure providing for some form of emergency currency will be all that can be expected.

After many long delays and sharp criticism in the Senate Secretary Cortelyou on January 29 sent to the upper chamber his report relative to the cause of the financial crisis of last autumn. This was at once referred to the Finance Committee and was ordered printed (*Senate Document, No. 208*, 60th Congress, first session). The reply thus given to the public is a document covering some 33 printed pages accompanied by tables extending over about 200 pages. While there is new material in the report it has been possible to introduce much old matter and to obscure the significance of some that is new. The text of the report is more largely an argument in extenuation of the policy of the department than an explanation of the conditions which gave rise to it. Two main points of interest contained in it are the data as to the subscriptions for Panama bonds and the suggestions as to the policy of the department for the rest of the coming calendar year. The data with reference to bonds show that the loan was forty-four times over-subscribed—a fact which loses much of its interest when it is observed how many of the bids were fictitious on their face, being made by men who put them in merely to pick up any “bargains” that might happen to come their way. This practice originated in the administration of Secretary Shaw and arises from the failure to require a certified check with each bid in earnest of good faith.

The prognostication of coming policies at the department shows that while about \$65,000,000 of Spanish war debt will fall due and become payable after August 1, 1908, and while there will shortly after be a call for the payment of the \$15,000,000 of 3-per-cent. certificates just issued, it is doubtful whether the department will be in position to pay them. Although there will be much over \$200,000,000 on deposit in the banks and in the vaults, after allowing for any probable deficit between now and the date when the debt will mature, it is questionable whether the treasury will be able to withdraw from the banks sufficient funds to liquidate this indebtedness; or, if it could, whether in the absence of any new provision for currency issues it would be wise to curtail to such an extent the basis for new note issues by national banks. The tabular view appended to the report is of fresh interest only in the data relating to the distribution of deposits among the banks and in the statistics of Panama bids. One minor item of interest is given in a table showing the deposits made by the department during last summer for the purpose of relieving stringency when the unprecedented plan of keeping secret the amount and place of the deposits was pursued. It was then said that most of the deposits were being sent to the producing centers instead of being placed with the New York banks to be reloaned. The statement now made shows that most of the money went as usual to New York. Average weekly deposits were not far from \$4,500,000. The table of bonds held behind public deposits showing the kinds of securities in detail, for which the treasury was asked, is not given but is promised at a later date. Presumably, it will not come in until after the debate on the Aldrich bill is over. In a brief supplementary report, sent by way of response to another resolution, Secretary Cortelyou states the amount of new circulation taken out on the Panama bonds issued during the stringency at about \$12,000,000 (*Senate Document, No. 221, 60th Congress, first session*). This shows how reluctantly the banks responded to the desire of the department for new issues of notes, the bonds being \$25,000,000.

What will undoubtedly prove to be a significant stage in the present movement toward tariff revision came to a head on February 4 and 5, when a large delegation, representing important manufacturing interests the country over, visited Washington and held meetings with congressional leaders and with the President.

At these meetings, demand was made for the appointment of a permanent tariff commission in accordance with a bill (S. 3163) introduced in the upper chamber of Congress by Senator Beveridge. The Beveridge bill was drafted at the instance of the manufacturers and calls for a commission of seven members, holding office for seven years, at a salary of \$7,500, and including three members identified with the producing interests, a customs lawyer, two tariff experts, and an economist and statistician, no member to be a congressman. The object of the commission was to be that of investigating the cost of production of protected articles and conditions of competition in foreign markets as well as the rulings and classifications of the courts and of the Board of General Appraisers which have so generally modified the effect of the Dingley Act. Speaker Cannon and Chairman Payne at the conference with the manufacturers were urged to appoint the commission in order that revision might take place in harmony with business principles. It was urged that only in this way could a scientific study of duties be made and the proper results be secured. The two legislators emphatically declared their opposition to the proposed plan but significantly admitted the necessity of revision immediately after the presidential election, at the short session of Congress or at latest during a special session to be opened in March, 1909, and that revision would not be handed over to a body outside of Congress. President Roosevelt in conversation with the delegates was not able to hold out a much more encouraging prospect, and practically notified them that the confused conditions in Congress and the multitude of issues pressing for attention would effectually prevent much attention to the tariff during the current session. An important result of the visit of the manufacturers, however, has been to revive tariff discussion and to make it probable that the Ways and Means Committee will establish a force of tariff experts and investigators for the purpose of getting a foundation for quick and careful revision when the time comes. Another significant feature of the incident has been official utterances by Speaker Cannon and Chairman Payne committing them to the idea of a maximum and minimum tariff law. Mr. Payne emphatically stated, not only to the delegates but also on the floor of the House, that the minimum tariff as finally established must be sufficient to afford full protection to every American industry. This is generally taken to mean that such maximum tariff as may be enacted will be simply

a means of retaliation upon those foreign countries which discriminate against imports from the United States.

Another step in the discussion of trade relations with Germany has been taken by President Roosevelt, who, on January 22, sent to the Senate a collection of documents containing more information on this subject than has hitherto been available (*Senate Document, No. 185*, 60th Congress, first session). Coupled with this information was a recommendation for the amendment of sec. 7 of the Customs Administrative Act. The documents transmitted included those made public on the first of last July when the new agreement with Germany went into operation, a memorandum from the secretary of state relative to what has already been done and to what is proposed, and an extract from the report of the tariff commission that visited Germany last winter in which the commission sets forth the German point of view. In the two last-named documents is the only absolutely new material now given out, although some of the other matter is given a new bearing. Amendments which are recommended for sec. 7 of the Customs Administrative Act would materially alter that section, the two most conspicuous changes urged being the creation of a margin of 10 per cent. for undervaluations of imported goods, no penalty being imposed for such undervaluations within the 10 per cent. margin, and the grant of the right to add to or subtract from invoice values prior to the presentation of the invoices in question to the Board of General Appraisers. As soon as this message and recommendation had been received, the Senate hastily went into executive session in order to avoid a tariff debate which seemed to be threatening. In the course of the executive session, the message and especially the recommendation for a change in sec. 7 of the Customs Administrative Act was referred to the Senate Finance Committee. This, however, was not accomplished until after there had been sharp criticism of the executive and of the German treaty from several senators. It is the generally expressed opinion that the administration has gone as far with this matter as is possible and that no report of any kind is likely to come from the Senate Finance Committee during this session. Unofficial statements of reliable character indicate that the German government is sufficiently well satisfied with the present *modus vivendi* to maintain it in effect until more time has been given for the ascertainment of American views

upon international tariff questions. It is noted with interest that the President did not transmit to the Senate the full report of the tariff commission, while he also withheld the complete reciprocity treaty with Germany providing for reductions of duty averaging 20 per cent. which is known to have been negotiated last winter at the time when the present arrangement was agreed upon. This indicates that the German tariff question may come up once more prior to the close of the session, when the President is expected to transmit the draft of the reciprocity treaty to the Senate merely for the sake of making it public. The real test will then come in the national convention at Chicago where the attitude of the Republican party on the subject will have to be determined.

In completing and publishing a new reciprocity treaty with France (*Circular No. 8*, Customs Division, Treasury Department), the State Department adheres to the principle of commercial negotiation with foreign countries for the purpose of smoothing away mutual difficulties which obstruct the trade of the countries in question. The new reciprocity treaty introduces no serious changes into the existing situation and is more confirmatory of what has already been accomplished than introductory of new possibilities or opportunities. The treaty gives the French exporter to the United States the full advantage of the reductions in duty permitted under sec. 3 of the Dingley Act, including the lowest duty on champagne. Other reductions in duty were already practically all in force. The cut in the champagne schedule has already resulted in lowering the wholesale price of champagne in the United States by \$2 per case which is the amount of the reduction. On our side we are practically guaranteed the entrance of Porto Rican coffee and southern cotton seed oil into French ports subject to no greater obstacles than exist at present, while the discriminating tariffs on American shoes and other articles threatened some months ago will not, for the present at least, be imposed. These are substantial advantages and the trouble with the agreement is that it is recognized as purely temporary, the French government retaining the right to impose higher rates at any time by giving due notice. A significant provision of the agreement, recognizing as it does this tentative nature of the understanding, is the provision for a tariff commission representing the two countries, which shall meet to investigate the customs administrative regulations of France and the United

States. This description of the duties of the commission is understood to be merely a euphemistic expression, inasmuch as the German agreement represented the extreme limit of what the administration has felt itself able to do in the way of revision in customs administration. Inasmuch as the advantages conceded to Germany under this treaty have been also extended to France as well as to other countries, it is not easy to see what could be done by the commission, should it be appointed at the present time. As similar instructions were given to the German commission which went abroad last winter, it is the accepted understanding in official circles that the French commission when sent will be charged with the duty of negotiating a reciprocity treaty requiring congressional action for its ratification. We shall then have reciprocity treaties with both France and Germany awaiting ratification or definite action of some kind. It has been possible to stave off the demands of both these countries thus far by assurances with reference to the impossibility of securing action from Congress. With the passage of a presidential election year, there will be little further chance of protracting the present *modus vivendi* on points unsatisfactorily dealt with, unless it is greatly extended and modified. The acceptance of the treaties will place the administration in condition to state to Congress, in the event of tariff revision, exactly what is wanted by our customers abroad. In the event of a disregard of these desires, during revision, tariff warfare may be expected to follow.

Two remarkable decisions by the Supreme Court of the United States affecting the status of labor have followed quickly upon the sweeping verdict by which the court adjudged the Employers' Liability Act unconstitutional and the extreme injunction issued by Justice Gould of the District of Columbia against the American Federation of Labor for its publication of the name of the Bucks' Stove and Range Company on its "we don't patronize" list. These two decisions relate to the right to dismiss men because of membership in a labor union and the illegality of the boycott as enforced by labor organizations against concerns doing an interstate business. The one relating to the question of a discharge of members of a labor union was dealt with by the Supreme Court in the case of *Adair*, plaintiff in error, vs. *The United States* (Supreme Court No. 293, October term, 1907, January 27, 1908), which arose under

the so-called "Erdman Act" passed in 1898. The Erdman Act forbade interstate carriers from discharging men because of their membership in labor unions. The position of the Supreme Court is that such a provision tends to limit freedom of contract and is therefore unconstitutional. If railroads can be prohibited from discharging men on the ground specified, they might conceivably be prohibited from employing them on the same ground. Maintenance of the clause in question would also be out of harmony with the views which have been expressed judicially with reference to claims made by union men in their own behalf. The decision relating to the use of the boycott in interstate trade was rendered in the case of *Lowe vs. Lawlor et al.* (Supreme Court No. 381, October term, 1907), and follows along lines already familiar in the decisions of the lower courts on this topic being based largely on the provisions of the Sherman Anti-Trust Act. As a result of the four decisions, the labor party both in and out of Congress has been stirred to extreme activity and has been able to press its views upon the legislative body and the administration with growing vigor and authority. To these decisions import may be directly traced to the remarkable message of President Roosevelt under date of January 31, in which he urged the necessity of action relative to the status of labor and particularly the enactment of an employers' liability law, going as far as is constitutionally possible under the decisions of the Supreme Court in regard to the law now on the books. The other features of the President's message were more or less extraneous and were designed primarily to enforce the necessity of the prompt action on the main topic. That Congress is fully alive to the necessity of making up to labor the ground it has lost within the past few months has been shown through official pronouncements by congressional leaders on the floor of the House and through the introduction of new employers' liability bills by two presidential candidates (Senators Knox and LaFollette), as well as through the appointment of dates late in February for the hearing of argument relative to employers' liability legislation before the Senate Judiciary Committee. The President's message has unquestionably produced some change in the presidential situation by tending to reassure labor men as to the doctrinal soundness of Secretary Taft, the administration's candidate for the presidency.